

The Ontario Educational Communications Authority
2007–08 Annual Report



makes you think

To: The Honourable Kathleen Wynne

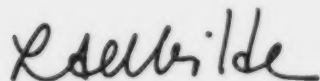
Minister of Education

Queen's Park

We take pleasure in submitting the Annual Report
of the Ontario Educational Communications Authority
for the fiscal year April 1 2007 to March 31, 2008.

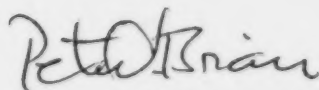
This is done in accordance with Section 12 (1) of the
Ontario Educational Communications Authority Act.

Yours sincerely,



Lisa de Wilde

CEO



Peter O'Brian

Chair of the Board of Directors

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makes you think

A Message from the Chair of the Board of Directors

There was a real sense of building momentum and the increasing of TVO's impact in 2007-08. We are carving out a unique space and a new direction in the multi-platform media world, all the while strengthening our role as a vehicle of citizen engagement; public educational media in Ontario has never been stronger.

As representatives of the millions of Ontarians who take advantage of our educational programs and services, the Board of Directors had a full year overseeing the manifold activities and initiatives of TVO's executive team, under Chief Executive Officer Lisa de Wilde's leadership. As outlined in the Performance Highlights section of this document, year two of TVO's Strategic Agenda was replete with innovations and new approaches to engaging our audience. Throughout, the Board ensured that our stakeholders received full value for their investment.



It has been my privilege to lead our revitalized, new 9-member Board of Directors through this dynamic period in our organization's history. The diversity, dedication and expertise they bring to the Board – and to TVO – reflects the forward-thinking approach that is defining our service in the digital age.

Underpinning the very real achievements detailed in this report has been the consistent support and encouragement of the Ontario Government. The solid foundation they have created has allowed us to confidently build a bright future for educational media in our province.

A handwritten signature in dark ink that reads "Peter O'Brian".

Peter O'Brian

A Message from the Chief Executive Officer

In a year that saw TVO increasingly become a significant presence in the digital space, 2007-08 confirmed our strategic shift from pure broadcaster to interactive, multi-platform educational media organization. With the autonomy in April 2007 of our former sister network TFO, we are becoming a more streamlined organization, focused on leveraging new and emerging technologies to deliver on our vision of empowering people to be engaged citizens of Ontario.

From a content perspective, year two of our Strategic Agenda was about building on all those things that make TVO distinctive, that make us truly stand out in the media universe: a commitment to quality educational programming without commercial imperatives and a depth of subject matter that is not available elsewhere.

Consistent with our support of the province's education priorities, we dedicated our efforts to building a more cohesive society by helping Ontario's kids be successful learners; by supporting the involvement of parents in their children's learning; and by encouraging people to learn about, think about, talk about, and connect around the big issues that are affecting our communities and province.

When Ontarians went to the polls last fall, TVO was the only media organization to build a complete online resource centre around the Citizens' Assembly on Electoral Reform. This user-friendly site featured substantial contributions from student journalists at partnering colleges around the province, serving to engage young adults (traditionally the hardest to reach on these issues) in this historic political process. This was on top of the in-depth election campaign coverage by our flagship current affairs program *The Agenda with Steve Paikin*, which included detailed regional reports on-air, and citizen journalist blogs online, with our exclusive Campaign Tales.

We took a new, more engaging approach when it came to demystifying complex issues like autism, and the effects of divorce on children's learning. By combining our commitment to powerful journalism with the innovative application of new technology, we presented a series of interactive multi-platform live events – available on a r and on the web – which offered our audience direct access to expert information and advice. The result brought concerned people together in online communities built around issues of paramount importance to parents, to children, and to a strong society.



A Message from the Chief Executive Officer

(Continued)

One of the most exciting developments of 2007-08 was the announcement that TVOParents.com resources would be available on Yahoo! Canada, a leading Internet content provider. Online distribution partnerships like these will make our content (including *Your Voice*, our one-of-a-kind online program for those with young children in the school system) more accessible to millions of parents.

And with children moving from television screen to computer screen with increasing ease, who better to provide them with absorbing, interactive educational content than TVOKids? With our on-staff educator, a host of top educational consultants on our advisory teams, and virtually all of our kids' programming and web activities (including 150+ online games) either based on or linked to the Ontario curriculum, TVO continued to be a vital source of children's educational media that parents can trust.

For learners of every age, TVO delivered more. In the true spirit of public broadcasting, we brought Ontario viewers right into today's most important discussions by providing smart, in-depth conversations and multi-faceted debate around important political, social, cultural and economic matters. Some of *The Agenda's* most-watched episodes explored the diverse reality of today's Ontario, with topics such as Today's Young Muslim Woman and Black-Only Schools. The program also examined issues ranging from Ontario's changing political culture, to provincial policies on poverty reduction, education and economic development – and devoted a full week to decoding Israel and Palestine: 60 Years On.

Issue-oriented programming was also a mainstay of Ontario-made long-form documentaries like the provocatively titled *Kike Like Me*, and dramatic presentations such as *The Whistleblowers* – high-quality alternatives to commercial network offerings. Both were enhanced by TVO-produced web sites with interactive forums, interviews with key participants, and additional video resources – all designed to extend the discussions and the learning even further.

Backed by important capital funding from the Government, and supported with extensive employee training programs, we completed the digital rebuild of our in-house studios, control rooms and edit suites. Taking full advantage of these new HD-ready production and post-production facilities, we can now focus on more efficient repurposing of content – both current, and from our almost 40-year archive – for different platforms: television, the internet, or mobile devices. This will enable more Ontarians to readily access our programming and resources.

Looking ahead for 2008-09

In 2008-09, the four pillars of TVO's Strategic Agenda – our content, digital, financial and organizational strategies – will increasingly support a seamless integration of technology, innovation, revenue growth and our distinctive public educational media.

TVO is entering a new age – one of greater relevance, greater creativity and much greater impact. Year three of our plan for the transformation of TVO will continue to center on our vision of citizen engagement. More than ever, we will focus our energies on providing Ontarians with powerful alternatives to mainstream broadcasters: resources that are designed with educators to help prepare kids for success in school, an online community that engages parents not as consumers but as active partners in their kids' education, and programming of unparalleled depth and perspective on the important issues of our time.

Great impact is also created through real-world interaction with the citizens of our province. That's why, from our early-learning block *Gisèle's Big Backyard* to *The Agenda with Steve Paikin*, we will be heading out of the studio to interact with the people and places that make up Ontario. *The Agenda*, in particular, has an ambitious plan for 2008-09 to take the program "on the road" to speak directly with the province's citizens – right in their own communities.

We'll add a new "Civics 101" feature on two.org to engage more people in how the political process in Ontario works. And *Your Voice* will bring more parents of young learners in contact with education experts through its expansion to twice weekly offerings, along with a permanent slot in our broadcast schedule.

All of these initiatives, it should be noted, will blend innovative technology with TVO's long-established and highly-regarded journalistic skills – symbolic of the new directions we are increasingly taking to connect with our audiences. That's because we believe TVO has a vital role to play in the province as a smart aggregator of content, helping to distill and provide context for the many images, opinions and media sources that are reshaping the way we relate to our world.

Accessing TVO online will be simpler and more straightforward with the launch of new, centralized video consoles on TVOKids.com, TVOParents.com, and a fully redesigned two.org. Viewers of all ages can catch up, anytime or anywhere, on their favourite TVO-produced content: fun and interactive curriculum-linked children's media, essential information for parents of young learners, and our thoughtful current affairs programs, which make such a strong contribution to public discourse in Ontario.

Preparing our content for the digital world requires an efficient and streamlined process. In the third year of our digital strategy, we will implement a tapeless, digital workflow and new internal content management tools for quick access to all our educational media.

We will continue to develop new distribution partnerships with revenue-generating potential, such as the arrangement we introduced with Yahoo! Canada in 2007-08, and our more recent alliance with Joost web-based TV. Partnerships like these will set the stage for wider, on-demand availability of TVO across Ontario, and enable us to deliver on the digital promise of our Strategic Agenda.

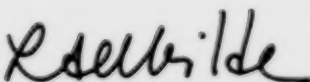
As an organization, we will prepare for the exciting opportunities that lie ahead by continuing to promote an internal culture of learning, innovation, risk-taking and collaboration. For it's by building on our unique strengths as an organization that "makes you think" that we will keep moving TVO forward in a rapidly changing media landscape.

On a Personal Note

None of the accomplishments outlined in this report would have been possible without the dedicated efforts of all members of the TVO team, and to them I offer my sincere thanks for their commitment, creativity and energy.

I would also like to thank our Ontario viewers, who continued to show their support throughout all of the new developments of 2007-08. In very real terms, from prime-time viewing numbers consistently higher than all Canadian specialty services except TSN, to significant increases in TVOKids.com unique visits and the busy interactive online community of *The Agenda*, they have told us that TVO is, more than ever, playing an important role in their lives.

Making people think – by engaging them with practical, interactive educational media tools and resources – is the unique space that TVO occupies. In a crowded media field, intelligent discussion and inspiring, thoughtful programming is more important than ever, and on behalf of everyone at TVO I want to express my appreciation to the Ontario Government for its ongoing support of all these endeavours.



Lisa de Wilde

Performance Highlights 2007-08

Throughout the many key accomplishments listed below, in year two of our Strategic Agenda (introduced June 2006) we maintained our commitment to fully aligning TVO's activities with Ontario's education policy priorities. At the same time, our blueprint to revitalize and renew the province's public educational media organization continued to inform all aspects of our operations.

The four pillars of TVO's Strategic Agenda

- | | |
|--------------------------------|--------------------------|
| 1) Customer + Content Strategy | 3) Financial Strategy |
| 2) Going Digital Strategy | 4) Organization Strategy |

1 Customer + Content Strategy

TVO content is focused on empowering people to be engaged citizens of Ontario.

All of our activities clearly support the following priorities of the Ministry of Education:

- Contribute to school readiness and help kids to be successful learners
- Increase the involvement of parents in their children's education
- Encourage active citizenship and public engagement

(A) CHILDREN

Goal: contribute to school readiness and help kids to be successful learners.

Key Accomplishments:

- Brought our total of TVOKids.com curriculum-linked or curriculum-based online games to more than 150.
- The number of unique visitors and page views to TVOKids.com continued to grow over the course of the year, reaching a monthly average of about 400,000 and 4,000,000 by the end of fiscal 2007-08.
- Introduced *Mark's Moments*, short segments profiling kids in Ontario with disabilities, and how they are just like other kids in many ways. *Super Citizens* highlighted kids in the province who are doing unique things in their communities.
- *The Jungle Room*, the first reality series for pre-schoolers, introduced our young viewers to a group of kids learning, interacting and growing together.
- Continued to identify and establish relations with new educational partners/advisors to broaden the scope of our kids' programs and web content:
 - Friends of the Greenbelt (raising awareness about Ontario's environment)
 - Toronto Public Library (Gisèle's Library Tour promoting family literacy)
 - HIPPIY Canada (consultants on child development and diversity)
 - Let's Talk Science (Early Years Science consultants)
 See page 14 for a full list of TVO's content partners.
- Presented more interactive learning events in Ontario communities: Gisèle's Library Tour (encouraging family literacy), Don't Sit Still tours (promoting fitness and healthy lifestyles), and Word on the Street (developing an awareness of books and authors).
- Expanded interactive opportunities for kids to reach out and learn together on-air and online with TVOKids Hotline (in partnership with Kids Help Phone), Super Citizen Awards, Time Tracker Video Maker.

- Established Gisèle's Big Backyard Book Council to advise on Canadian books and authors to highlight in Gisèle's Big Backyard Book Club.

(B) PARENTS

Goal: Increase the involvement of parents in their children's education.

Key Accomplishments:

- Launched TVOParents.com, an online community resource featuring expert advice, news, interactive tools, videos, podcasts, and the latest educational research. The goal of TVOParents.com is to help parents take a more active role in their young learners' education, paving the way to success in the classroom, and in life.
- Between July 2007 and March 2008, TVOParents.com saw an almost 50% growth in unique visitors and page views.
- Created interactive, prime-time special broadcast/web events for parents, featuring expert information on subjects including eating disorders/body image, special needs kids, and overprotective parenting.
- Added to TVOParents.com a unique interactive weekly web-TV series *Your Voice*, which looked at topics ranging from Peer Pressure and Refugee Student Success, to Racism and Mental Health issues – all featuring education and early childhood experts interacting directly with parents.
- Introduced *The Newcomers' Guide to Elementary School in Ontario* in 19 languages to help new Canadians engage with their children's education.
- Built a rich online catalog of interactive resources, videos and research articles for parents, much of which is now available to the millions of Yahoo! Canada users.
- Highest-rated single episode of *The Agenda* was the examination of Mixed-Member Proportional (MMP) vs. First Past The Post leading up to the electoral reform referendum in last fall's election.
- *The Agenda* continued to dig deep with multi-part explorations of issues affecting Ontario, whether of a global or a local nature: Israel-Palestine 60 Years On, the War on Poverty, the future of Ontario Tourism, Ontario's role in today's Confederation and the legacy of the Hall-Dennis Report on educational reform.
- Introduced post-show online Q&A sessions following monthly live debates from the Munk Centre at the University of Toronto. These interactive sessions encouraged viewers to ask follow-up questions to *The Agenda's* panel.
- Realized significant growth in podcast (audio and video) downloads for all of TVO's current affairs programs (*The Agenda with Steve Paikin*, *Allan Gregg in Conversation*, *Big Ideas* and its Ontario's Best Lecturer Competition), culminating in a record total of almost 800,000 downloads in the last quarter of 2007-08.
- We presented bold, social issue-based dramas (*Whistleblowers*, *Britz*, *Secret Life*) and docs (*Kike Like Me*, *China Blue*, *Bulgaria's Abandoned Children*, *Escarpment Blues*) that reflect TVO's citizen engagement strategy.
- Much of this distinctive, high-quality programming was supported by microsites that continued the conversation and built communities long after the broadcast.
- Introduced special event Sundays, a back-to-back presentation of documentary and drama based on single, issue-based themes such as elder abuse, autism, homelessness, terrorism.
- Dr. Christopher diCarlo of the University of Ontario Institute of Technology (UOIT) in Oshawa gave the winning lecture in TVO's 2008 Best Lecturer Competition, beating out a field of student-nominated academics from around Ontario.
- *The Agenda with Steve Paikin*: provided comprehensive on-air/online provincial election coverage, with regional reports and full coverage of Citizen's Assembly.

(C) ADULTS

Goal: Citizen engagement.

Performance Highlights 2007-08

(Continued)

2 Going Digital

- With special capital funding from the Ministry of Education, rebuilt two state-of-the-art digital studios, control rooms and edit suites.
- Began the integration of digital technology into our work processes to achieve a tapeless digital workflow, allowing for more efficient repurposing of our content for different platforms.
- All in-house TVO content is now produced in HD-ready digital format.

3 Financial Strategy

- Secured increase in annual operating grant (first since 1991) beginning 2008-09, to address operating funding shortfall.
- Continued to build a strong community of TVO donors, while decreasing our fund-raising costs.
- Secured our first full-season sponsor for TVO's flagship show *The Agenda with Steve Paikin* (Vale Inco).
- Secured our first online distribution partnership with revenue-generating potential (Yahoo! Canada).
- Reduced the cost base of the organization through attrition management and restructuring to eliminate overlaps and increase synergies post-TFO.

4 Organizational Strategy

- Applied for renewal of CRTC broadcasting licence.
- Rolled out multi-year training framework including Leadership Development for managers, Environmental Training, Digital Skills, and individual skills upgrading.
- Enhanced employee engagement and collaboration through an expanded intranet site, quarterly town hall all-staff meetings, monthly management team meetings, "lunch and learn" information sessions, monthly staff lunches with the CEO ("Lunch with Lisa") and on-going forums for input ("Ask Lisa").
- Began negotiations to renew collective agreement with Canadian Media Guild (five-year agreement ratified in May 2008).

Awards and Honours

The TVO-commissioned documentary *Manufactured Landscapes* continued to receive awards and industry recognition in 2007-08:

- Reel Current Award at the Nashville Film Festival (NaFF)
- DDC Award - Category: International Competition, Visions du Réel/ Festival International du cinéma documentaire (Nyon, Switzerland).
- Nominated for Grand Jury Prize, Sundance Film Festival 2007

TVOKids.com added to the American Library Association's Great Web Sites for Kids.

Steve Paikin nominated for Gemini award as Best Host or Interviewer in a News Information Program or Series

The Independent Learning Centre (ILC) website (www.ilc.org) won the Excellence in Learning Award at the Canadian New Media Awards

Promax BDA Grand Award, "News-Open" category: P2P Production Team and Hatch Studios of Toronto, who produced the winning show opening for *Paula Todd Person 2 Person*.

ILC Performance Highlights 2007-08

The Independent Learning Centre (ILC), which is managed by TVO, is the province's designated provider of distance education, enabling thousands of students annually to earn credits toward their high school diploma, to upgrade their skills, and to achieve their academic and career goals at a pace, time and place of their choosing.

With the increasing demand by students for online learning resources, the ILC in 2007-08 continued to focus on its distinctive digital assets and learning tools: Webits (web-based interactive tutorials), e-Journal, and the Ask a Teacher homework help site.

Interest in Ask a Teacher as an effective learning aid was illustrated by the Ministry of Education's selection of this resource for a pilot initiative for grades 7-9 math students in Hamilton-Wentworth. And the ILC's innovative use of technology to further the educational goals of students across Ontario was recognized when the ILC's web site (www.ilc.org) was honoured with the Canadian New Media Award for Excellence in Learning.

2007-08 saw an increase in registrations for the ILC's General Educational Development (GED) high school equivalency certificate, largely due to changing workforce demands. In fact, the ILC saw increased performance across a range of activities: course start rates, completion rates, GED test registrants, and participation in the annual ILC graduation and award ceremony.

Looking ahead to 2008-09, the ILC will continue solidifying its role as a vital resource for students and educators both in and out of the formal education system.

Key Accomplishments:

- Improved course start rates in 2007-08 by 6% over 2006-07 start rates.
- Improved course completion rates in 2007-08 by 14% over 2006-07 completion rates.
- Improved GED test registrant rates in 2007-08 by 11% over 2006-07 test registrant rates.
- Established partnership with Knowledge Ontario.

Donor and Sponsor Recognition

Public Donors

We thank our individual donors who contributed a combined total of 75,273 financial gifts in support of TVO.

Corporate & Community Supporters

TVO would like to thank the following corporations and organizations for their outstanding leadership and commitment to our mandate:

THE AGENDA WITH STEVE PAIKIN PARTNER

Vale Inco, *The Agenda with Steve Paikin*

Vale Inco is the proud presenting partner of TVO's flagship current affairs program, *The Agenda with Steve Paikin*. There is no other program on television today with the depth and dedication to citizen engagement as *The Agenda*. The program's interactive web site encourages debate and discussion to continue beyond the broadcast, through producer blogs and viewer discussion forums.

HOMEWORK PARTNER

RBC Royal Bank, *Ask a Teacher*

RBC Royal Bank is the proud presenting partner of Ask a Teacher. This free help-with-homework online service gives students one-on-one assistance from certified teachers five nights a week. Students can also practise needed skills in math, science, and literacy, or try a variety of exercises in preparation for standardized provincial tests.

HEALTHY MINDS - HEALTHY BODIES PARTNER

Scotiabank Group, *Don't Sit Still Tour*

Scotiabank Group is the proud presenting partner of the TVOKids Don't Sit Still Tour, which takes TVOKids hosts across Ontario to present a free live stage show that promotes a healthy and active lifestyle to kids of all ages. The high-energy interactive performance inspires children – and even their parents – to get moving and stay moving!

CHILDREN'S LITERACY PARTNER

TD Bank Financial Group, *TD Reading Rangers/Gisèle's Big Backyard Book Club*

The TD Bank Financial Group is the proud presenting partner of *TD Reading Rangers*. This entertaining on-air and online series promotes books, reading and libraries to the children of Ontario. Boosting literacy, language skills and social development, the series features the popular TVOKids hosts as Reading Rangers – daring and dauntless heroes of the Wild West who make books their business! TD Bank Financial Group's commitment to literacy also extends to *Gisèle's Big Backyard Book Club*, which inspires early learners and their parents to read every day, and in everyday situations. Every month Gisèle reads a new book out loud to young viewers, encourages families to visit the local public library to find the featured title and also join the book club online at TVOKids.com. The books, all by Canadian writers, are selected by the Ontario Library Association and TVO's own consultants, and cover a wide range of topics that reflect Canada's rich cultural diversity.

TVO'S BEST LECTURER COMPETITION PARTNER

TD Insurance Meloche Monnex, *Best Lecturer Competition*

TD Insurance Meloche Monnex is the proud presenting partner of the annual TVO's Best Lecturer Competition. The competition offers students and alumni an opportunity to celebrate the college and university professors whose lectures they believe to be exceptional. This exciting competition features professors hailing from all corners of the postsecondary community in domains ranging from philosophy to food science, sports management to medicine, astronomy to psychology. The top 10 finalists deliver their winning lectures on TVO's Big Ideas during a gripping 5-week pursuit of academia's latest sought-after award. It is then up to TVO viewers to vote online to crown Ontario's Best Lecturer.

TVO would like to recognize the following content partners for their support:

- AGO
- Canadian Veterinary Medical Association
- Friends of the Greenbelt Foundation
- HIPPIY Canada
- HOMAD (Heads of Media and Design programs in Ontario's Community Colleges)
- Kids Help Phone
- Let's Talk Science - Wings of Discovery
- Media Awareness Network - Ottawa
- Ontario Citizens' Assembly on Electoral Reform
- Ontario Library Association
- Ontario Science Centre
- Seneca College
- Settlement.Org
- Sheridan High/Scope Teacher Education Centre
- Toronto Public Library
- Toronto Symphony Orchestra
- University of Toronto - Munk Centre for International Studies

OECA Board of Directors

Peter O'Brian

Chair of the Board of Directors
President, Independent Pictures Inc.
Toronto

First term: November 1, 2005 – October 31, 2008

Judy Blank

Retired teacher
St. Catharines

First term: June 27, 2007 – June 26, 2008

Penny Eizenga

Retired executive
London

First term: May 16, 2007 – May 15, 2010

Diane Kelly

General Counsel, Queen's University
Kingston

First term: May 30, 2007 – May 29, 2010

Judith Robertson

Chartered Financial Analyst
Toronto

First term: May 9, 2007 – May 8, 2010

Ajay Agrawal

Professor of Entrepreneurship (Competition and
Strategy in Creative Industries, Corporate Strategy,
Survey of the Economics of Innovation, others)
Rotman School of Business
Toronto

First Term: April 11, 2007 – April 10, 2010

Stephen R. Coxford

President, Gresham & St. Andrew Inc.
Toronto

First term: July 1, 2003 – June 30, 2006
Second term: July 1, 2006 – June 30, 2009

Kambiz Kazemi

Polar Securities
Toronto

First term: April 11, 2007 – April 10, 2010

Raymond G. Paradis

Retired Teacher
New Liskeard

First term: June 27, 2007 – June 26, 2008

The honorarium paid to the Board in 2007-08 was \$20,862.50, including the part-time Chair.
This amount corresponds to levels of remuneration set by the Lieutenant Governor in Council.

OECA

Regional Councillors Advisory Board

Representing the major economic regions of the Province, our unique volunteer advisory network is an integral part of our community outreach, helping to deliver our message to citizens across the province and providing valuable local community feedback on our programs and services.

NORTHERN REGIONAL COUNCIL

Tony Gaspar, Manitouwadge
Eugene Lefrancois, Kaministiquia
Mark Mannisto, Sudbury
Rick McCutcheon, Little Current
Lise Moore Asselin, Mattawa
Paul Pirie, Fort Frances
Kim Pirie-Milko, Kenora
Donna Smith, Markstay
Linda Taylor, New Liskeard (until September 2007)

GREATER TORONTO AREA REGIONAL COUNCIL

Jorge Campos, Willowdale
Grace Chan, Richmond Hill (from June 2007)
Jae Chong, Richmond Hill
Kem Hamid, Markham
Thando Hyman, Scarborough
David Holmes, Oakville
Sona Khanna, Oakville
Andy Merchant, Thornhill
Upali Obeyesekere, Toronto
Monika Osinska, Toronto (from June 2007)

SOUTHWESTERN REGIONAL COUNCIL

Steve Andrusiak, London
Art Grady, Port Elgin
Virginia Lambdin, St. Marys (until August 2007)
Rosemary Rognvaldson, Gorrie (until October 2007)
Stewart Wayne Sinclair, Chatham

EASTERN REGIONAL COUNCIL

Calvin Bowry, Kingston
Janice Brant, Deseronto
Keith Clingen, Martintown
Sheila Soden, Belleville
Marc St. Germain, Ottawa

SOUTHCENTRAL REGIONAL COUNCIL

Agnes Hemming, Midland
Stephen Maxwell, Kitchener
Cassandra Rodgers, Huntsville
John Storm, St. Catharines

The Ontario Educational Communications Authority

Financial Performance

Management's Responsibility for Financial Statements

A letter from the Chief Executive Officer on behalf of Management

Management's Responsibility For Financial Statements

The accompanying financial statements of the Ontario Educational Communications Authority have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 5, 2008.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Internal Audit Department independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board reviews and approves the financial statements. The Audit Committee of the Board meets periodically with management, Internal Audit, and the Office of the Auditor General of Ontario to discuss audit, internal control, accounting policy, and financial reporting matters.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management:



Lisa de Wiide
Chief Executive Officer



Auditor's Report

A letter from the Office of the Auditor General of Ontario



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To The Ontario Educational Communications Authority
and the Minister of Education

I have audited the statement of financial position of The Ontario Educational Communications Authority as at March 31, 2008 as well as the statement of operations, the statement of changes in equity and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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www.auditor.on.ca

Toronto, Ontario
June 5, 2008

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Statement of Financial Position

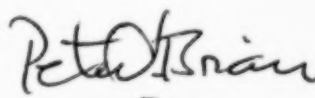
As at March 31, 2008

Assets	2008 (\$000s)	2007 Restated (\$000s) (note 23)
Current Assets		
Cash and short-term investments (note 3)	18,183	25,530
Accounts receivable (note 4)	1,119	3,365
Prepaid expenses	466	514
Inventories	158	152
	19,926	29,561
Broadcast rights and production costs (note 8)	16,379	26,250
Accrued pension asset (note 5)	119	1,462
Investments held for Capital Renewal (note 6)	6,078	4,575
Net Capital Assets (note 7)	23,151	17,414
Total Assets	65,653	79,262
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	9,545	16,812
Deferred revenue (notes 9 and 23)	848	7,167
Lease obligations (note 10)	50	62
	10,443	24,041
Non-Current Liabilities		
Lease obligations (note 10)	92	85
Employee future benefits (note 5)	7,092	5,833
Deferred capital contributions (note 11)	18,707	13,092
	25,891	19,010
Equity		
Invested in broadcast rights and production costs	15,947	25,146
Invested in capital assets	10,381	8,750
Restricted - Accrued pension asset	119	1,462
Unrestricted (note 23)	2,872	853
	29,319	36,211
Total Liabilities and Equity	65,653	79,262

Commitments and Contingencies (notes 15, 18 and 21).

See accompanying Notes to Financial Statements.

On behalf of the Board:



Chair



Director

Statement of Operations

For the year ended March 31, 2008

	2008 (\$000s)	2007 Restated (\$000s) (note 21)
Revenues		
Government operating grants (note 12)	37,484	36,394
Other earned revenue (note 14)	13,313	10,188
Independent Learning Centre (note 17)	9,119	9,731
Government and corporate project funding (note 13)	1,635	1,327
Amortization of deferred capital contributions	2,635	2,399
	64,186	60,039
Expenses		
Content and programming	22,773	23,249
Technical and production support services	12,770	13,153
Independent Learning Centre	8,744	9,309
Management and general expenses	7,619	7,294
Cost of other earned revenue (note 14)	2,916	3,655
Amortization of capital assets	4,482	3,831
Employee future benefits (note 5)	2,373	2,563
	61,677	63,054
Excess/(Deficiency) of revenues over expenses from continuing operations	2,509	[3,015]
Excess of revenues over directly related expenses from discontinued operations – TFO (note 21)	—	7,664
Excess of revenues over expenses	2,509	4,649

See accompanying Notes to Financial Statements

Statement of Changes in Equity

For the year ended March 31, 2008

	2008 (\$000s)					2007 Restated (\$000s) (note 23)
	Invested in Broadcast Rights and Production Costs	Invested in Capital Assets	Restricted Accrued Pension Asset	Unrestricted	Total	Total
Balance, beginning of year as previously reported	25,146	8,750	1,462	(747)	34,611	29,962
Gift from TVOntario Foundation (note 23)	—	—	—	1,600	1,600	1,600
Balance, beginning of year, restated	25,146	8,750	1,462	853	36,211	31,562
Excess/(deficiency) of revenues over expenses	(9,594)	(2,086)	(1,068)	15,257	2,509	4,649
Invested in assets during the year	9,521	3,717	—	(13,238)	—	—
OFECA's portion of accrued pension asset	—	—	(275)	—	(275)	—
Broadcast rights and production costs – transferred to OFECA (note 8)	(9,126)	—	—	—	(9,126)	—
Balance, end of year	15,947	10,381	119	2,872	29,319	36,211

See accompanying Notes to Financial Statements.

Statement of Cash Flows

As at March 31, 2008

	2008 (\$000s)	2007 Restated (\$000s) [note 23]
Operating Activities		
Excess/(deficiency) of revenues over expenses from continuing operations	2,509	(3,015)
Excess of revenues over directly related expenses from discontinued operations - TFO	—	7,664
Add/(deduct) non-cash items:		
Amortization of capital assets	4,482	3,831
Amortization of deferred capital contributions	(2,635)	(2,399)
Amortization of broadcast rights and production costs	9,788	15,474
Pension expense	1,068	771
Post retirement benefits	1,259	1,378
Loss/(Gain) on disposal of capital assets	239	(121)
Net changes in non-cash working capital:		
Accounts receivable	2,246	(245)
Inventories	(6)	263
Prepaid expenses	48	357
Deferred revenue	(5,841)	(5,433)
Accounts payable and accrued liabilities	(7,267)	8,677
Cash provided by operating activities	5,890	27,202
Investing and Financing Activities		
Broadcast rights additions	(9,521)	(14,981)
Capital asset additions	(10,775)	(5,026)
Current year's deferred capital contributions	6,747	—
Gift from TVOntario Foundation (note 23)	—	1,600
Proceeds from disposal of capital assets	317	166
Lease obligations	(5)	95
Cash used in investing and financing activities	(13,237)	(18,146)
Net increase/(decrease) in cash position during the year	(7,347)	9,056
Cash and short-term investments, beginning of year	25,530	16,474
Cash and short-term investments, end of year	18,183	25,530

See accompanying Notes to Financial Statements.

Notes to Financial Statements

March 31, 2008

1. AUTHORITY AND MANDATE

The Ontario Educational Communications Authority (the Authority) is a provincial Crown Corporation that was created in June 1970 by the Ontario Educational Communications Authority Act. In accordance with the Act, the Authority's main objective is to initiate, acquire, produce, distribute, exhibit or otherwise deal in programs and materials in the educational broadcasting and communications fields.

The Authority is a registered charitable organization which may issue income tax receipts for contributions. As a Crown Corporation of the Province of Ontario, the Authority is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Authority have been prepared by management in accordance with Canadian generally accepted accounting principles.

(b) Inventories

Program support materials are valued at the lower of cost or net realizable value where cost is determined on a weighted average basis. Stores and supplies are valued at cost, where cost is determined on a first in, first out basis and is net of an allowance for obsolescence. Video and audio tapes are valued at the lower of cost or net realizable value, where cost is determined on a first in, first out basis.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight line basis over the following terms beginning the year following acquisition:

Capital Assets

Building	30 years
Transmitters	17 years
Transmitter Monitoring Equipment	7 years
In House Technical Equipment	7 years
Leasehold Improvements	5 years
Computer Equipment	5 years
Office Furniture & Fixtures	15 years
Office Equipment	10 years
Vehicles	5 years

(d) Revenue Recognition

- Revenue from the licensing of program material is recognized when the program material is delivered.
- Individual donations are recorded on a cash basis. Contributions from corporate sponsors are recognized when the contract is signed, except multi-year contributions that are recognized when the cash is received.
- Revenue from sponsorship billboards is recognized when they are broadcast or webcast.
- Grants and revenues received in the year for special purposes are deferred until the related expenses have been incurred.
- Revenue from grants and contributions restricted for the purchase of capital assets is deferred and amortized over the same period as the related capital asset.
- Student fees for courses and General Education Development testing are recognized as revenues at the time of registration.

(e) Employee Future Benefits

The Authority accrues its obligations under employee defined benefit plans and the related costs, net of plan assets. The following policies have been adopted:

- The cost of pension benefits and other post retirement benefits is actuarially determined by independent actuaries using the projected benefit method and management's best estimate assumptions.
- Past service costs and any transitional asset or obligation are amortized over the expected average remaining service period of active plan members.
- Actuarial gains (losses) are recognized to the extent that they exceed 10% of the greater of the accrued benefit obligation and the market value of plan assets. Amounts recognized are amortized over the average remaining service period of active plan members.
- Pension fund assets are valued at market value.

(f) Broadcast Rights and Production Costs

Broadcast rights and production costs are accounted for as follows:

- Current events and network promotion programs produced by the Authority are expensed in the year the costs are incurred.
- All other programs produced by the Authority and programs licensed under co-production, pre-buy and acquisition contracts are recorded at cost less accumulated amortization. Amortization is calculated on a straight line basis over four years.

(g) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. CASH AND SHORT-TERM INVESTMENTS

The Authority's investment policy restricts short-term investments to securities issued by or guaranteed as to principal and interest by any province of Canada, Canada, the United Kingdom, and the United States of America or deposit receipts, deposit notes, certificates of deposit, acceptances and other similar instruments issued or endorsed by any chartered bank to which the Bank Act (Canada) applies.

Cash and short-term investments of \$18,183,000 (2007 - \$25,530,000) included \$18,582,000 (2007 - \$25,575,000) of investments maturing within 90 days, yielding 4.4% (2007 - 4.2%) on average during the year, with a market value that approximates carrying value. These amounts include \$1,086,000 (2007 - \$1,510,000) of U.S. dollar cash and short-term investments converted to Canadian dollars using an exchange rate of 1.005 (2007 - 1.137).

4. ACCOUNTS RECEIVABLE

	2008	2007
	(\$000s)	(\$000s)
Project funding	219	1,573
Trade	330	1,444
Other	570	348
	1,119	3,365

Notes to Financial Statements

(Continued)

5. EMPLOYEE FUTURE BENEFITS

The pension and other post-employment benefit plans have the following components:

(a) Registered pension plans:

- Main Pension Plan - Most employees of the Authority are members of this plan, which consists of three elements - a non-contributory, defined benefits, best average earnings and years of service element; a contributory, defined contribution element; and a non-contributory, defined contribution element.
- Executive Pension Plan - Certain executives are members of this non-contributory, defined benefits, best average earnings and years of service plan.

(b) Supplementary retirement plan:

- This unregistered, non-contributory, defined benefits plan funds the portion of pension entitlements in excess of the maximum allowed for registered pension plans under the federal Income Tax Act.

The pensions payable under the defined benefit plans are adjusted for inflation based on the consumer price index up to a maximum of 3% per year.

(c) Post-employment benefits plan:

- The Authority offers post-employment benefits such as health care, dental care, and life insurance on a shared cost basis.

The most recent actuarial valuation of the defined benefit pension plans and the post-employment benefits plan was as of January 1, 2007, and the next valuation is due as of January 1, 2010.

On April 1, 2007, the French language network TFO became independent from the Authority and began to operate as the Ontario French-language Educational Communications Authority (OFECA) (note 21). TFO employees formally became employees of OFECA effective July 1, 2007. However, their compensation and benefits were charged to the OFECA effective April 1, 2007.

The OFECA has filed an application to establish its own pension plan with the appropriate regulatory authorities. Approval is not expected until September 2008. Until such time as the transfer of assets is made from the OECA Pension Plan to the OFECA Pension Plan, the Pension Plan assets will continue to be invested in accordance with the existing OECA Statement of Investment Policies and Procedure for the Pension Plan.

Information about the Authority's pension and other benefit plans (net of the estimated OFECA portion) is as follows:

	Registered Retirement Plans		Supplementary Retirement Plan		Post-Employment Benefit Plan	
	2008 (\$000s)	2007 (\$000s)	2008 (\$000s)	2007 (\$000s)	2008 (\$000s)	2007 (\$000s)
Plan surplus/(deficit)						
as of January 1:						
Market value of plan assets	95,039	97,527				
Accrued benefit obligation	(88,717)	(92,340)	(93)	(76)	(11,038)	(10,968)
	6,322	5,187	(93)	(76)	(11,038)	(10,968)
Balance of unamortized amounts as of January 1:						
Net transition (asset)/obligation	(6,078)	(6,967)			967	1,854
Past service cost	707	877	3	7	—	—
Actuarial (gains)/losses	(456)	2,375	(29)	(4)	2,946	3,256
	(5,827)	(3,715)	(26)	3	3,913	5,110
Contributions - Jan 1 to Mar 31	—	103			33	25
Use of surplus - Jan 1 to Mar 31	(101)	(113)			—	—
Less - OFECA's portion of the accrued pension asset	(275)	—			—	—
Accrued pension asset/(liability)	119	1,462	(119)	(73)	(7,092)	(5,833)

Notes to Financial Statements

(Continued)

	Registered Retirement Plans		Supplementary Retirement Plan		Post-Employment Benefit Plan	
	2008 (\$000s)	2007 (\$000s)	2008 (\$000s)	2007 (\$000s)	2008 (\$000s)	2007 (\$000s)
Disclosed in the Statement of Financial Position as:						
Accrued pension asset	119	1,462	—			
Accounts payable and accrued liabilities	—	—	(119)	[73]		
Employee future benefits	—	—	—		(7,092)	(5,833)
Expenses for the year:						
Defined benefit plan	572	656	46	44	1,259	1,378
Defined contribution plan	496	485	—	—	—	—
	1,068	1,141	46	44	1,259	1,378
Contributions to the pension and benefit plans	—	370	—	—	130	97
Pension benefits paid	3,439	3,180	—	—	—	—
Termination benefits paid	2,665	1,934	—	159	—	—

The significant assumptions adopted in measuring the accrued benefit obligations and pension expenses are as follows:

	Registered Retirement Plans		Supplementary Retirement Plan		Post-Employment Benefit Plan	
	2008	2007	2008	2007	2008	2007
Discount rate	5.50%	5.00%	5.50%	5.00%	5.50%	5.00%
Investment return	6.50%	6.50%	N/A	N/A	N/A	N/A
Pension indexation	2.50%	2.50%	2.50%	2.50%	-	-
Salary rate increase	3.50%	3.50%	3.50%	3.50%	N/A	N/A
Health cost rate increase	N/A	N/A	N/A	N/A	9.00%	9.00%
Dental cost rate increase	N/A	N/A	N/A	N/A	4.50%	4.50%
Average remaining service lifetime	11-12	9-12	6	5	11	16

Defined benefit plan assets as at January 1 measurement date consist of:

Asset category	Percentage of Plan Assets	
	2008	2007
Equity securities	58%	62%
Debt securities	42%	38%

6. INVESTMENTS HELD FOR CAPITAL RENEWAL

Since 1984 a portion of the funding received each year has been set aside to ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced when needed. Available funds were invested in short-term deposits that earned an average interest rate of 4.5% (2007 - 4.2%) during the fiscal year. The changes in the fund were as follows:

	2008 (\$000s)	2007 (\$000s)
Balance, beginning of year	4,575	3,525
Digital conversion project funding -		
Ministry of Education (note 11)	2,016	—
Allocation of grants -		
Ministry of Education (note 11 and 12)	601	901
Interest earned	195	149
Funds transferred to OFECA (note 21)	(1,309)	—
	6,078	4,575

Notes to Financial Statements

(Continued)

7. NET CAPITAL ASSETS

Capital assets consist of the following:

		2008 (\$000s)		2007 (\$000s)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	186	—	186	186
Buildings	4,812	3,662	1,150	1,292
Transmitters	27,887	25,704	2,183	3,038
Transmitter monitoring equipment	4,834	4,294	540	109
In house technical equipment	26,431	16,249	10,182	4,272
Leasehold improvements	7,719	3,499	4,220	4,252
Computer equipment	6,998	4,102	2,896	1,989
Office furniture and fixtures	1,806	408	1,398	1,947
Office equipment	972	804	168	122
Vehicles	669	441	228	196
Construction in progress	—	—	—	11
	82,314	59,163	23,151	17,414

During 2008 transmitter, test, in house technical, and computer equipment and office furniture items were transferred to the OFECA (note 21). The total net book value of the transferred capital assets was \$163,000.

8. BROADCAST RIGHTS AND PRODUCTION COSTS

Broadcast rights and production costs consist of the following:

		2008 (\$000s)		2007 (\$000s)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Broadcast rights and completed productions	39,053	25,235	13,818	22,317
Work in progress	2,561	—	2,561	3,933
	41,614	25,235	16,379	26,250

Amortization expense for the year was \$9,788,000 (2007 - \$15,474,000) and is included in Content and Programming expense.

During 2008, \$9,126,000 representing TFO portion of the 2007 equity invested in broadcast rights and production costs balance was transferred to the OFECA (note 21).

9. DEFERRED REVENUE

	2008 (\$000s)	2007 (\$000s)
Government grants (note 12)	—	5,550
ILC - MED grant and provincial project funding (note 17)	135	535
Corporate project funding (note 13)	431	645
Other	282	437
	848	7,167

Expenditures related to the above deferrals have been budgeted for 2009 fiscal year.

Notes to Financial Statements

(Continued)

10. LEASE OBLIGATIONS

Lease obligations represent the balance of the commitments made under capital leases. The changes in the lease obligations balance are as follows:

	2008	2007
	(\$000s)	(\$000s)
Lease obligations, beginning of year	147	52
Add: Capital leases additions	66	142
Less: Payments made on existing capital leases	(71)	(47)
Lease obligations, end of year	142	147

	2008	2007
	(\$000s)	(\$000s)
Current lease obligations	50	62
Non-current lease obligations	92	85
	142	147

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions received for the purchase of capital assets and are recorded as revenue in the Statement of Operations when the related capital assets are amortized. The changes in the deferred contributions balance are as follows:

	2008 (\$000s)	2007 (\$000s)
Deferred capital contributions, beginning of year	13,092	14,441
Add:		
Digital conversion project funding**	8,763	—
Allocation of Ministry of Education grant (notes 6, 12)	601	901
Interest earned	195	149
	22,651	15,491
Less:		
Amortization of capital contributions	(2,635)	(2,399)
Deferred capital contributions transferred to OFECA	(1,309)	—
Deferred capital contributions, end of year	18,707	13,092

** Digital conversion project funding is for the purpose of replacing studio and post production equipment and support a digital asset management installation. The provincial government has committed to provide the Authority with \$10.44 million funding for this project. Of the total amount committed, \$8.99 million has been received as of March 31, 2008.

Notes to Financial Statements

(Continued)

12. GOVERNMENT OPERATING GRANTS

	2008 (\$000s)	2007 (\$000s)
Provincial		
Ministry of Education		
Base grant	25,035	30,340
Pre-flow of next fiscal year's base grant	—	5,005
Amount allocated for capital renewal, (note 6)	(601)	(901)
Funding deferred from prior year (note 9)	5,005	—
Funding deferred to future year (note 9)	—	(5,005)
	29,439	29,439
Ministry of Education		
Transition funding *	7,500	7,500
Funding deferred from prior year (note 9)	545	—
Funding deferred to future year (note 9)	—	(545)
	8,045	6,955
Total government operating grants	37,484	36,394

- * The provincial government provided the Authority with \$7.5 million of transition funds in 2008 to assist the Authority in implementing a new strategic plan.

13. GOVERNMENT AND CORPORATE PROJECT FUNDING

	2008 (\$000s)	2007 (\$000s)
Provincial project funding		
Ministry of Education		
Digital conversion project funding (note 11)	8,990	—
Other MED project funding	346	410
Other provincial project funding	77	88
Amount allocated for capital renewal (note 11)	(8,763)	—
	650	498
Corporate project funding		
Funding received during the year	771	814
Funding deferred from prior year (note 9)	645	660
Funding deferred to future year (note 9)	(431)	(645)
	985	829
Total government and corporate project funding	1,635	1,327

Notes to Financial Statements

(Continued)

14. OTHER REVENUE AND COST

	2008 (\$000s)			2007 (\$000s)		
	Revenue	Cost	Net Revenue	Revenue	Cost	Net Revenue
Sales and Licensing	760	779	(19)	992	1,012	(20)
Individual and corporate donations	5,389	2,137	3,252	5,394	2,643	2,751
Charges for services provided to OFECA	3,031	—	3,031	—	—	—
Other	4,133	—	4,133	3,802	—	3,802
	13,313	2,916	10,397	10,188	3,655	6,533

15. COMMITMENTS

The Authority has entered into capital and operating leases covering transmission facilities, offices, warehouses and equipment. Future lease payments are as follows:

Year ending March 31	(\$000s)
2009	2,099
2010	1,784
2011	1,553
2012	1,309
2013	1,324
2014 and beyond	20,122
Total future lease payments	28,191

The lease of head office space expires on August 31, 2027.

16. CONTRIBUTED MATERIALS AND SERVICES

The Authority uses the services of volunteers to assist primarily in the Donations area. The Authority also receives contributions of materials for use mainly in fundraising activities. Due to the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

17. THE INDEPENDENT LEARNING CENTRE

Under the terms of an agreement with the Ministry of Education and the Ministry of Training, Colleges and Universities, the Independent Learning Centre (ILC) was transferred to the Authority in 2002.

The ILC provides a wide range of distance education courses, in English and in French that allow adults to earn secondary school diploma credits, upgrade their basic skills, or study for personal development. It also supports children who may not be able to access elementary day

school programs. The General Education Development (GED) testing is also available through the ILC.

Funding for these activities includes a grant from the Ministry of Education and ILC earned revenues. The portion of the grant that has been identified for specific projects (course development) is deferred until the related expenses have been incurred.

	2008 (\$000s)	2007 (\$000s)
Activities were funded by:		
Ministry of Education ILC grant	5,886	6,421
Hamilton-Wentworth Ask a Teacher project	500	—
Funding deferred from prior year (note 9)	535	1,458
Funding deferred to future year (note 9)	(135)	(535)
ILC grant and project funding recognized	6,786	7,344
ILC earned revenues	2,333	2,387
Total ILC grant, project funding and earned revenue	9,119	9,731

Direct expenses related to the funding deferred to future year have been budgeted for the 2009 fiscal year.

Notes to Financial Statements

(Continued)

18. CONTINGENCIES

Contingencies refer to possible legal claims that have been made by or against the Authority, the ultimate outcome of which cannot be predicted with certainty. Management does not expect that the outcome of the claims against the Authority will have a material and adverse effect on its results and does not believe any provisions for losses are necessary at this time. No amounts have been recognized in the accounts for claims made by the Authority. Any settlements will be accounted for at the time of settlement.

19. FINANCIAL INSTRUMENTS

Effective April 1, 2007, the Authority adopted new accounting standards issued by the Canadian Institute of Chartered Accountants, which provide guidance on the recognition and measurement of financial instruments and accounting for any related gains and losses. The Authority's financial instruments consist of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, and lease obligations.

Under the new standards:

- Cash and short-term investments are classified as held-for-trading and must be measured at fair value. It is management's opinion that their carrying amounts approximate fair value because, as discussed in note 3, the Authority's investments consist of short-term, high-grade debt that does not expose it to significant interest rate, liquidity, or credit risks. The amount of the Authority's foreign currency holdings (note 3) does not expose it to significant currency risks.
- Accounts receivable are classified as loans and receivables and, due to their short-term maturities, it is management's opinion that their carrying amount approximates fair value. The Authority is not exposed to significant credit risk as receivables are due primarily from the Province of Ontario and other public institutions such as school boards.
- Accounts payable and accrued liabilities are classified as other financial liabilities and, due to their short-term maturities, it is management's opinion that their carrying amount approximates fair value.
- Lease obligations continue to be presented at their amortized cost.

20. THE TVONTARIO FOUNDATION

The Board of Directors of the Foundation approved a resolution in December 2006 to dissolve and cease its operations after all the assets of the Foundation are transferred into the ownership of the Authority. The Canada Revenue Agency confirmed that the charity's registration was revoked effective August 11, 2007.

21. ESTABLISHMENT OF THE OFECA

The provincial government established the Ontario French-language Educational Communications Authority (OFECA) effective April 1, 2007 through an Order in Council. The OFECA has its own board of directors responsible for the operations of the former French-language division (TFO) of the Authority.

The following revenues and expenses were directly related to TFO in 2007:

	(\$000s)
Revenue:	
Ministry of Education base grant	14,700
Grants from the federal government	2,708
Provincial and corporate project funding	4,346
Other earned revenue	2,948
	24,702
Expenses	17,038
Excess of revenue over expenses	7,664

The comparative figures have been restated by these amounts.

The OFECA assumed responsibility for the pension and other entitlements of those employees who accepted offers of employment from TFO.

Transactions with OFECA

During 2008, the following amounts were paid to the OFECA:

	(\$000s)
Investments for capital renewal (note 6)	1,309
TFO share of TVO Foundation fund balance	1,792
Deferred revenue – provincial project funding	1,343
	4,444

Also transferred during 2008 were transmitter, test, in house technical, and computer equipment and office furniture items with a total net book value of \$163,000, and broadcast rights and production costs with a net book value of \$9,126,000 (notes 7, 8).

The Authority and the OFECA shared certain facilities and services such as human resources during 2008. The Authority determined that the OFECA's portion of the costs of these facilities and services as being \$3,031,000 and included this amount in other revenue (note 14). The Authority will continue to provide master control, transmitter maintenance, and warehouse services to the OFECA during 2009 for \$574,000.

Notes to Financial Statements

(Continued)

Matter in Dispute with OFECA

The OFECA has taken the position that it is entitled to a share of the Authority's net current assets at April 1, 2007. The Authority does not agree that any amounts are owed to the OFECA.

If the parties are unable to reach an agreement on this matter, it may have to be referred to the Ministry of Education for resolution. The Authority is not in a position to estimate the amounts, if any that the OFECA would receive in this event however a decision wholly or partly in favour of the OFECA would have the following effect on the Authority's financial statements:

OFECA's share of assets at April 1, 2007:

'Cash and short-term investments' and 'Unrestricted equity' would be reduced by any amount awarded to OFECA.

22. RELATED PARTY TRANSACTIONS

The Authority is controlled by the Province of Ontario and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. In addition to its transactions with the OFECA (note 21), the Authority received sponsorship revenue from Provincial ministries and agencies, and revenue from Ontario school boards for Independent Learning Centre (ILC) course fees and sales of educational materials. These transactions were recorded at exchange amounts agreed to by the related parties.

23. ACCOUNTING CHANGE

In 2007, the transfer of assets from the TVOntario Foundation to the Authority was recorded as deferred revenue rather than as a return of equity that had been gifted by the Authority to the Foundation. The financial statements have been restated to reflect this change. The effect of the restatement on the 2007 financial statements is summarized below.

	(\$000s)
Decrease in deferred revenue	1,600
Increase in unrestricted equity	1,600

24. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current presentation.

